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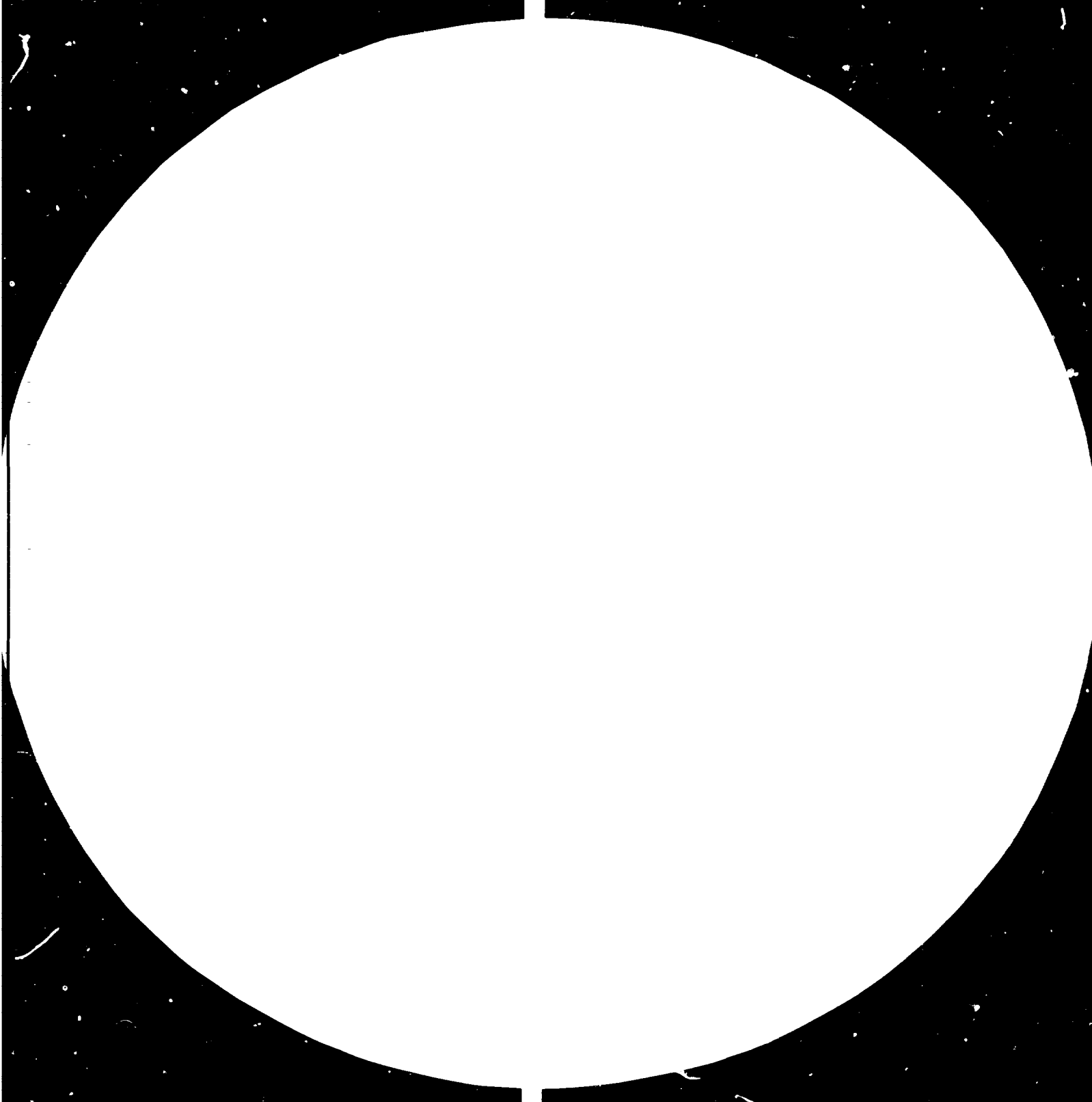
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INDUSTRIAL DEVELOPMENT IN NEPAL

COUNTRY BRIEF^{*/}

Prepared by the
Regional and Country Studies Branch
Division for Industrial Studies

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PREFACE

The country brief of Nepal is a desk study based on documents, reports and studies available at the UNIDO Headquarters, some of the data presented are therefore not up to date. It is envisaged that the brief will be modified over time as the internal statistical base is further refined and broadened, as the national information sources are developed further and as a feedback from the users follows.

The brief attempts to give the general picture of the country's economic and industrial development. It does not reach any final conclusions or recommendations but rather provides decision-makers with additional information to be used in activities relating to technical assistance, industrial re-deployment and investment promotion and co-operation.

The views or comments contained in this document do not reflect those of the Government of Nepal nor do they officially commit the United Nations Industrial Development Organization to any particular course of action.

EXPLANATORY NOTE

Totals in tables may not add precisely because of rounding. In tables, three dots (...) indicate that data are not available, and a dash (-), that they are not applicable.

The national currency is the Nepalese Rupee (NRs). In march 1980 its parity against the US dollar was US \$ = 12.0 NRs.

I. ECONOMIC BACKGROUND

The Kingdom of Nepal is a landlocked country in the Himalayan mountain range between India to the east, south and west, and the People's Republic of China to the north.

In 1977 Nepal had a population of 13.2 million (1.1 per cent of the total for developing East Asia and Oceania) and a GDP per capita of US \$109, 40 per cent lower than the average for the region (Table 1). According to that indicator, Nepal is one of the 25 least developed nations on the World Bank scale. The country accounted for only 0.5 per cent of GDP in developing East Asia and Oceania.

Table 1 also reports that not only the country's GDP, but also its gross capital formation, exports and imports were insignificant as compared to the corresponding figures of the region. Share of imports in Nepal's GDP (12.33 per cent) is significantly higher than the share of its exports (7.69 per cent), while for the region these ratios are roughly equal (25.18 and 25.82 per cent respectively).

Some 48 per cent of the population was estimated to be economically active in 1977, which represented a higher proportion than the regional average (36.9 per cent).

Over the period 1970-1977 growth rates of population and labour force (2.26 and 2.05 per cent respectively) were not very much below the average for East Asia and Oceania, 2.56 and 2.14 per cent respectively (Table 2). At the same time the growth in GDP (2.78 per cent) and especially in gross fixed capital formation (which, in fact, declined at an annual rate of -3.05 per cent) was considerably less than the average for the region (6.16 and 10.49 per cent respectively). Exports declined over the period at an annual rate of -0.55 per cent and imports increased at a rate of 2.93 per cent, whereas for the region as a whole exports and imports increased at annual rates 6.90 and 11.66 per cent respectively.

Tables A1, A2 and A3 in the annex provide further details on the country's area and population, labour force and average annual real

Table 1. General economic indicators, Nepal and developing East-Asia and Oceania, 1977

Indicator ^{a/}	Nepal	East-Asia ^{b/} and Oceania	Nepal East-Asia and Oceania
Population	13.2	1,151.82	1.1
Labour force	6.34	439.80	1.6
GDP	1,441.0	311,347.0	0.5
Gross capital formation	125.0	77,394.0	0.2
Export of goods and services	120.0	83,722.0	0.2
Import of goods and services	156.0	84,540.0	0.2
GDP per capita	109.0	261.0	40.0
Labour force/population	48.01	36.90	130.0
Gross capital formation/GDP	9.50	24.22	40.0
Exports/GDP	7.64	25.82	29.0
Imports/GDP	12.33	25.18	49.0

Source: Industrial data system, Regional and Country Studies Branch, UNIDO.

^{a/} Population and labour force in millions, values in millions US dollars (except GDP per capita in US \$), at constant 1975 prices, ratios expressed in per cent.

^{b/} Afghanistan, Bangladesh, Burma, Sri Lanka, Fiji, Hong Kong, India, Indonesia, Iran, Korea Republic of, Malaysia, Pakistan, Philippines, Singapore, Thailand.

Table 2. Growth of population, labour-force, GDP, capital formation and trade, Nepal and East-Asia and Oceania, 1970-1977^{a/}

	Population	Labour force	GDP	Gross fixed capital formation	Export of goods and services	Import of goods and services
Nepal	2.26	2.05	2.78	-3.05	-0.55	2.98
East-Asia and Oceania	2.56	2.14	6.16	10.49	6.90	11.66

Source: Industrial data system, Regional and Country Studies Branch, UNIDO.

^{a/} Growth rates for monetary values based on constant 1975 US dollars.

growth rates of population and production. They reveal, inter alia, that agriculture forms the backbone of the economy and in 1978 employed 93 per cent of the total labour force (Table A2). Between 1970 and 1977 the average annual real growth in Nepal's GDP per capita was only 0.4 per cent, in contrast with the population growth of 2.2 per cent a year. The dense and rapidly growing population puts a severe strain on the country's limited resources and erodes the small improvements in incomes that are being achieved.

II. THE MANUFACTURING SECTOR

Prior to 1950, there was practically no industry in Nepal. As might be expected, the first industries to be established were agro-based (rice husking, oil seed extraction, jute and tea processing). In the late 1960s a very limited range of import substitution industries arose, mainly in the public sector, producing such consumer goods as beverages, cigarettes, textiles, matches and soaps as well as simple agricultural tools and building materials.

These initiatives, however, did little to change the basic structure of the country's economy. During the period 1970-1977, the agricultural sector accounted for an average of 67 per cent of GDP, while the industrial sector's share was less than 10 per cent of GDP (Table 3), with approximately half of this attributable to the various cottage industries. The other half comes mainly from public enterprises.

Table 3 also reflects the Government's efforts to create a physical infrastructure in the country. While the total GDP increased over the period by 2.5 times, in electricity, gas and water, and in transport and communications it increased by 9.0 and 12.9 times respectively.

The composition of Nepal's industrial output is typical of a very early stage of development. In total, about 70 per cent of production is derived from processing agricultural commodities, primarily rice, tea, sugar, and cash crops such as jute and tobacco. Fourteen per cent of industrial output is accounted for by textiles, clothing and leather goods, while wood related industries accounted for 8 per cent.

Principal industries in Nepal are sugar and jute processing for export. In 1978/79 production totalled respectively 27.2 and 15.2 thousand tonnes - a fall in production in the case of jute but 70 per cent increase in the production of sugar compared with 1976/77. Other established industries include the manufacture of matches, liquors and beer, cigarettes, leather goods, textiles and stainless steel utensils for the home market (Table 4).

Table 3. GDP by industrial origin
at current factor cost (NRs million)

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1966-70 as percentage of GDP	1970-77 as percentage of GDP
Agriculture	4,794.0	4,292.0	4,883.0	5,357.0	5,922.0	6,034.0	7,160.0	6,578.0	8,851.0	11,550.0	11,611.0	10,811.0	67.8	67.0
Mining	2.0	1.0	1.0	5.0	4.0	1.0	2.0	3.0	3.0	7.0	6.0	7.0	*	...
Manufacturing ^{a/}	577.0	533.0	625.0	748.0	787.0	818.0	996.0	971.0	1,282.0	1,618.0	1,698.0	1,797.0	8.8	9.8
Construction	111.0	118.0	134.0	144.0	192.0	135.0	149.0	153.0	163.0	172.0	194.0	289.0	1.9	1.4
Electricity, gas and water	5.0	8.0	10.0	16.0	18.0	20.0	23.0	29.0	28.0	34.0	39.0	45.0	0.2	0.2
Transport and communication	93.0	102.0	120.0	141.0	192.0	234.0	285.0	348.0	422.0	453.0	799.0	1,201.0	1.7	3.8
Trade and finance	380.0	327.0	336.0	459.0	491.0	457.0	484.0	499.0	557.0	1,048.0	1,116.0	1,127.0	5.4	5.7
Public administra- tion and defence	101.0	143.0	147.0	166.0	177.0	215.0	230.0	228.0	250.0	332.0	351.0	394.0	2.0	2.1
Other branches	846.0	891.0	917.0	949.0	985.0	1,024.0	1,094.0	1,161.0	1,252.0	1,357.0	1,580.0	1,673.0	12.3	9.9
TOTAL	6,909.0	6,415.0	7,173.0	7,985.0	8,768.0	8,938.0	10,369.0	9,969.0	12,808.0	16,571.0	17,394.0	17,344.0	100.0	100.0

Source: World Tables, The Second Edition (1980) from the data files of the World Bank.

a/ Including cottage industries.

Table 4. Production of principal industries

Type of Industry	Units ('000)	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79
Sugar	Metric tons	16.2	14.5	7.6	11.0	14.0	12.0	11.0	16.0	26.5	27.2
Cigarettes	Million	1.47	2.08	2.24	2.40	2.52	3.00	2.45	1.77	1.63	21.0
Matches		515.8	491.0	526.7	587.0	662.0	649.0	679.0	658.0	667.0	724.0
Jute Manu- facturers	Metric tons	10.8	13.5	12.9	14.0	13.0	12.0	16.0	17.0	n.a.	15.2
Liquors		87.9	80.4	125.9	188.0	206.0	224.0	580.0	522.0	687.0	454.0
Soaps	Kg.	n.a.	n.a.	n.a.	n.a.	952.0	891.0	970.0	1,855.0	n.a.	n.a.
Lether Goods:											
(a) Shoes	Pairs	42.0	65.6	70.0	83.0	82.0	70.0	59.0	55.0	59.0	n.a.
(b) Leather	Kg.	138.9	152.0	170.8	187.0	80.0	55.0	665.0 ^{a/}	1,096.0 ^{a/}	n.a.	n.a.
Agricultura implements	Kg.	142.7	65.1	114.3	150.0	150.0	300.0	92.0 ^{a/}	287.0	313.0	n.a.
Tea	Kg.	20.0	20.5	24.4	36.0	44.0	47.0	328.0	401.0	405.0	326.0
Stainless steel utensils	Kg.	933.4	356.5	132.5	245.0	209.0	156.0	175.0	157.0	173.0	n.a.
Straw board	Kg.	357.7	104.1	775.3	705.0	937.0	1,022.0	900.0	1,301.0	749.0	n.a.
Brick and tile	Thousand in number	23.5	24.9	27.9	26.0	23.0	26.0	25.0	24.0	n.a.	n.a.
Beer	Liter	-	-	137.4	403.0	542.0	688.0	816.0	630.0	788.0	n.a.
Fertilizers	Kg.	-	-	n.a.	n.a.	560.0	441.0	576.0	446.0	n.a.	
Texbiles	Meters	2,354.0	984.4	476.0	-	-	-	3,896.0	5,234.0	3,889.0	2,429.0
Cement	Metric tons	-	-	-	-	-	-	27.0	43.0	38.0	21.0
Plastic goods	Kg.	-	-	-	-	-	-	-	46.0	44.0	n.a.
Biscuits	Kg.	-	-	-	-	-	-	-	723.0	n.a.	n.a.

Source: Nepal, Development Performance and Prospects, World Bank, 1979. The Far East and Australasia, 1980-81

a/ Thousand pieces.

1. Endowments for Industrialization

Nepal has no sizeable deposits of raw materials with the exception of small deposits of copper, cobalt and iron ore plus local workings of lignite. No oil has been discovered and the country is totally reliant on imported hydrocarbons. The only mineral so far discovered in significant quantities is mica, mined east of Kathmandu. But there is a vast hydro-electric potential in the Himalayan valleys. It has been estimated that this potential could amount to 83,000 MW, enough to supply most of the needs of the Indian sub-continent. However, the country has been slow in exploiting this potential due to lack of capital and technical expertise. In 1977/78 installed hydro-electric generators had a capacity of 37,000 kW. Several large hydro-electric schemes are under discussion as joint projects with India, including a \$1.5 billion dam on the Karnali River. In addition, small generating plants are being installed for local power supply.

Communications within the country are still in need of development. Until the 1950s there were virtually no roads at all. Since then Nepal has built up a network of roads of over 4,000 km. (see Table 5). In April 1977 Nepal's road network covered 1,751 km of fair weather roads. There are short sections of motorable roads around Kathmandu. A number of important new roads have been built, notably that linking Kathmandu and the Tibetan border at Kodari, and others are under construction, including the 992 kilometre Mahendra Highway and the 400 kilometre Pokhara-Surkhet Road. There are two sections of railway totalling 100 km.

A national shipping corporation was set up in 1971. Regular air service link India, Thailand and the larger towns in Nepal.

2. Location of Industry

Because of the relative ease of marketing and access to agricultural inputs, most industries are located in the corridor from the Kathmandu valley to the Indian border in addition to a few other areas in the Tekai Cottage industries, though heavily concentrated around Kathmandu, are more widely dispersed throughout the hills.

Table 5. Transport

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Lenght of roads (kilometres)											
All weather	...	...	1,384	...	1,850	...	1,850	...	...	2,307 ^{a/}	...
Fair weather	...	...	...	...	1,200	...	1,200	...	...	1,829 ^{a/}	...
Motor vehicles in use (thousands)											
Passenger cars	4.0	...	...	...	...	8.8	9.6	10.5	11.5	12.7	...
Commercial vehicles	3.0	...	...	...	...	3.3	7.2	8.1	9.2	10.4	...

Source: Statistical Yearbook for Asia and the Pacific, 1978.

a/ As at April

3. Ownership pattern

The Government is encouraging the development and diversification of new industries in the private sector through various incentives. Enterprises which have been set up in the private sector are a jute mill, match factories, sugar mills, cigarette factories, a woollen mill and a cotton textile mill, a steel rerolling mill, a plywood factory, stainless steel utensils factories, synthetic textile mills and tea estates as well as cheese and biscuit factories, ghee and soap factories. The Government extends credit to the sector through the Nepal Industrial Development Corporation.

Among the industries set up in the public sector are: a jute mill, a sugar mill, a cigarette factory, a shoe factory, an agricultural tool and implements factory plant, a brick and tile factory, and two cement factories. Most of the public sector factories have been built under various foreign aid programmes.

The poor performance of public sector enterprises has been a chronic disappointment. Productivity is extremely low due to inefficient use of labour, low levels of technical and managerial expertise, and frequent closures due to shortages of raw materials and spare parts. A recent survey indicates that the average capacity utilization rate is below 60 per cent.

4. Main constraints to Industrial Development

The minor role that the industrial sector has played in Nepal reflects the serious constraints that exist. While for some of these there are no easy remedies, in other cases the problems need to be resolved if industry is to play a major role in Nepal's development. The two most formidable problems are the small size of the Nepalese market and the country's landlocked position. Despite a population of over 13 million, the effective market for manufactured products is extremely small. The cash incomes of the majority of population are less than US \$50 per annum, and in the hill regions, most transactions are by barter. The market for consumer goods is therefore largely confined to the small per

centage of the population living in towns or in the more accessible parts of the Hills and Terai. Moreover, not only is domestic demand small, but Nepalese goods must also compete for this demand with Indian goods which are generally cheaper and of better quality. Nepal's landlocked position has further exacerbated these problems. Transshipment costs add a significant margin to the export prices of Nepalese manufactured goods and to the intermediate imports needed for domestic production.

These constraints to industrial development have not been offset by Nepal's large and seemingly low-cost labour force, since these wages reflect skills that are probably close to the lowest of all developing countries, nor has Nepal been able to rely on any easily exploitable natural resources that might have been a stimulant to growth.

Against this background, it is not surprising that private entrepreneurship is scarce and the amount of private investment in industry meagre. To date, private interests have concentrated on such sectors of the economy as trade, tourism and real estate, where returns on investments are more assured and attractive.

5. Industrial objectives and strategy

Some 30 years ago Nepal had in fact no infrastructure and industry. Thus, the objectives of the first five-year plans (1955-1975) were to establish a basic infrastructure, an administrative system and social services. But the concentration of efforts on infrastructure resulted in limited direct contribution to output. Consequently, growth of real GDP for the period 1965-75 did not exceed the rate of population growth.

In general, in the 1970s, the Government's objectives did not differentiate among the three possible approaches to industrial development: import substitution, basic materials production, and export processing. In practice, however, most of the policies that were implemented, were clearly geared towards the promotion of import substitution industries in the form of relatively capital intensive, public manufacturing enterprises. In doing this the Government attempted to follow

the experience of many other developing countries, where an import-substitution strategy has frequently led to an initial rapid expansion of domestic industry. This trend, however did not occur in Nepal. The open border with India has made it virtually impossible to protect domestic industry, while as already mentioned the limited domestic market has not permitted firms to utilize their capacities efficiently.

Together with the broad objectives of employment creation, development of cottage industries, and promotion of export industries, more recent statements of the Government's industrial policies have emphasized the need to encourage private investment and to improve the performance of public enterprises. However, within these broad objectives, no clear cut priorities have been established to determine the allocation of resources in the industrial sector.

Under the fifth development plan (1975-80), the Government's emphasis was shifted to investments which would directly increase domestic production. The priority was given to the agricultural sector, with almost 35 per cent of total outlays allocated to the construction of a network of irrigation systems. Almost 30 per cent of the outlay has been allocated to transport and communication. The plan projected an annual growth target of 4-5 per cent.

However, in most areas planned objectives have not been achieved. During the plan period only a 2 per cent increase in GNP was achieved against a planned annual rate of 4-5 per cent. In agricultural production the target increase for food production was 16.7 per cent, but in fact it increased by an average of 0.5 per cent a year and actually fell by over 13 per cent in 1978. This failure can partly be explained by three severe draughts during the plan period which, coupled with the scarcity of technical and managerial expertise, resulted in a rate of growth that could only keep pace with the growth rate of the population.

Overall industrial performance remained virtually unchanged. Jute goods, sugar, matches, soap, tea, plastic goods and synthetic cloth managed a small increase, while leather and shoe production fell slightly.

In the sixth Five-Year Plan (1980-85) the main emphasis is on agriculture and small-scale and cottage industries. It envisages to raise GNP by 4.3 per cent annually, with the agricultural sector expected to grow by 3 per cent and the non-agricultural sector by 8 per cent. Under the plan the total allocation of capital expenditures in NRs was 20,500 million with almost equal distribution to agriculture, industry and social services (Table 6). The Government expects to make basic health and education facilities available throughout the country by the end of the plan period. Within the manufacturing sector, the envisaged strategy is to develop cottage and small industries.

It also provides for continued growth of new industries, such as cotton textiles, vegetable oil and paper and pulp and a food production target of 4.4 million tonnes a year by 1985 against the present 3.9 million tonnes.

At present the main causes of concern are the decline of agricultural productivity, the failure of government measures to raise agricultural output and the unsatisfactory development of the industrial sector. Both internal and external factors can explain the current economic problems of Nepal. One of the main internal factors is the failure of economic growth to keep up with population growth. The relatively large investments allocated in previous plans to infrastructure meant that no real increase in production and improvements in living standards were achieved. The severe draughts in the late 1970s have also been a serious setback for the country's attempts to solve its economic problems.

The major external factor has been the energy crisis, resulting in high costs of capital and manufactured goods, added to which are the transit problems and high transport costs, limiting the capacity to produce and market goods competitively.

In conclusion, one can say that the fast increasing population, lack of skilled manpower and the absence of natural resources coupled with its inaccessibility will make it difficult for Nepal to break out of its slow growth pattern. The key to progress probably lies in the development of

Table 6. Allocation of capital expenditures. Fifth and Sixth Five-Year Plan

(Amount in NRs million and per cent composition)

	Fifth Five-Year Plan 1975-1980		Sixth Five-Year Plan 1980-1985	
	Targets Amounts	(Maximum programmes Percentage	Targets Amounts	Percentage
Agriculture, land reform, irrigation, forestry and rehabilitation, etc	3,970	34.8	5,465	26.6
Industry, commerce, electricity and mining	2,040	17.9	5,270 _{a/}	25.7
Transport and communi- cation	3,385	29.7	4,485	21.9
Education, health, drinking water and other social services	2,007	17.9	5,280	25.8
TOTAL	11,402	100.0	20,500	100.0

Source: The Far East and Australasia, 1980-81.

a/ Includes tourism

the hydro-electric potential and the eventual creation of power intensive industries. However this will require substantial foreign aid over many years.

A further possibility is perhaps a strategy aimed at the development of the agricultural machinery industry. It could help to raise productivity in the agricultural sector, ease the dependency on imports of agricultural machinery, thus saving export earnings, and raise the skills of local manpower.

III. EXTERNAL TRADE

The country's foreign trade situation has been discouraging with a growing trade deficit which increased by more than five times between 1970/71 and 1978/79 (Table 7). The sharp increases were recorded in 1974/75 and 1977/78, principally because of the fall in rice production and reduced foreign demand, especially from India. The situation improved in 1975/76, due to the bumper food crop. The figures for 1979/80 are about twice as less as for the previous year, the main reason being the severe draught.

As regards exports, they have been inhibited by Nepal's geographical position and the absence of easily exploitable natural resources. In 1978/79 the main items of exports were food and live animals (37.6 per cent), crude materials except fuels (38.0 per cent), and manufactured goods, classified mainly by materials (17.6 per cent) (Table 8). Traditionally, rice has contributed between a third and a half of the country's exports but the demands of the domestic market, with the population growing at more than 2 per cent a year, has cut overseas sales by two-thirds over the last decade. A wide range of goods had to be imported. In 1978/79 imports consisted mainly of manufactured goods (37.6 per cent), machinery and transport equipment (20.0 per cent), chemical drugs (10 per cent), and food and live animals (10 per cent).

Because Nepal is a landlocked country, the bulk of its exports and imports have to travel through India, which is taking more than 80 per cent of Nepal's foreign trade (Table 9), and almost all Nepal's imports pass through the port of Calcutta. Under the second Trade and Transit Treaty signed in 1971, India provided road transport facilities, warehouse space at Calcutta and port facilities. A revision of this Treaty in 1977 allowed Nepal to expand its trade with other countries. Nevertheless, India's persistent refusal to grant permanent transit right has hampered efforts to diversify trading patterns. It should also be added that because of the long delays in shipment, transloading of rail shipment at the border, damage during shipment, and shortage of warehouse facilities in Calcutta, the cost of Nepal's exports and imports is substantially increased.

Table 7. External trade
(NRs million, year ending 15 July)

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Imports (c.i.f.)	699.1	888.3	983.8	1,163.2	1,814.6	1,981.7	2,008.0	2,409.6	2,884.6	1,503.9
Exports (f.o.b.)	400.6	519.8	631.5	685.6	889.6	1,185.8	1,164.8	1,046.1	1,296.8	645.7
Balance	-298.0	-368.5	-352.3	-477.6	-925.0	-759.9	-843.2	-1,423.5	-1,587.8	-858.2

Sources: The Far East and Australasia, 1980-81

Nepal, Development Performance and Prospects. World Bank, 1979.

Table 8. Composition of trade
(NRs million, year ending 15 July)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80 ^{a/}
Exports, f.o.b.	<u>489.5</u>	<u>400.6</u>	<u>519.8</u>	<u>631.5</u>	<u>685.6</u>	<u>889.6</u>	<u>1,185.8</u>	<u>1,164.8</u>	<u>1,046.1</u>	<u>1,296.8</u>	<u>554.7</u>
Food and live animals	296.4	264.2	280.8	364.0	387.1	517.5	804.0	599.5	405.3	488.2	152.8
Tobacco and beverages	2.2	0.8	0.9	0.9	1.2	0.4	4.0	12.3	11.2	13.7	0.8
Crude materials, inedibles except fuels	20.5	80.31	150.8	173.8	201.2	223.3	226.3	377.8	441.2	491.7	215.5
Mineral fuels and lubricants	-	-	-	-	-	1.5	1.6	0.5	0.2	0.7	0.2
Animal and vegetable oils and fats	1.6	1.0	0.4	0.7	0.9	2.4	1.8	5.3	6.0	17.1	20.8
Chemicals and drugs	1.3	0.8	0.5	0.9	0.8	0.9	9.3	10.6	3.6	0.8	0.3
Manufactured goods, classi- fied chiefly by materials	48.0	40.3	63.1	73.9	76.2	28.1	104.7	123.9	123.3	229.1	144.1
Machinery and transporta- tion equipment	0.2	-	0.1	0.1	0.1	0.1	9.6	1.6	2.7	2.9	1.2
Other manufactured products	19.0	6.8	17.1	17.1	18.1	38.3	23.0	27.8	51.2	52.4	19.0
Other	0.2	0.4	0.2	0.1	0.1	12.1	7.3	5.6	1.5	0.2	-
Exports, c.i.f.	<u>864.6</u>	<u>699.1</u>	<u>888.1</u>	<u>983.8</u>	<u>1,163.2</u>	<u>1,814.6</u>	<u>1,981.7</u>	<u>2,008.0</u>	<u>2,470.6</u>	<u>2,884.7</u>	<u>1,790.1</u>
Food and live animals	158.3	133.0	153.2	163.2	194.7	243.1	291.1	249.3	323.1	292.0	156.4
Tobacco and beverages	11.1	7.9	9.5	13.3	23.3	18.9	42.4	20.2	44.2	35.7	7.5
Crude materials, inedibles except fuels	52.6	36.4	38.0	44.7	57.9	63.8	88.7	36.4	53.1	61.4	33.3
Mineral fuels and lubricants	88.6	71.7	130.2	139.6	143.3	182.7	211.7	249.0	251.3	232.4	201.6
Animal and vegetable oils and fats	8.3	6.9	8.8	14.7	18.4	7.0	7.4	8.3	30.8	22.4	7.1
Chemical drugs	65.6	60.7	50.2	60.5	61.9	179.5	190.1	224.5	254.9	297.5	187.6
Manufactured goods, classi- fied chiefly by materials	342.7	267.0	361.8	396.3	463.7	509.5	545.9	660.6	819.2	1,084.8	618.1
Machinery and transportation equipment	79.5	74.8	78.8	87.7	93.9	270.1	413.4	375.5	483.1	574.6	405.5
Other manufactured products	57.3	46.5	54.8	59.7	106.7	198.1	168.4	145.8	201.0	275.0	170.7
Other	0.6	1.5	3.0	4.0	0.2	29.9	22.7	38.4	9.9	8.9	2.2

Source: The Far East and Australasia, 1980-81

Nepal, Development Performance and Prospects, World Bank, 1979.

a/ Figures for seven months to February 1980.

Table 9. Direction of foreign trade
(NRs million)

	1975/76	1976/77	1977/78	First Eight months	
				1977/78	1978/79
<u>Total Exports</u>	<u>1,185.8</u>	<u>1,164.8</u>	<u>1,046.1</u>	<u>629.9</u>	<u>617.3</u>
To India	893.7	779.6	498.0	303.1	271.7
To Third Countries	292.1	385.2	548.1	326.8	345.6
<u>Total Imports</u>	<u>1,981.7</u>	<u>2,008.0</u>	<u>2,470.6</u>	<u>1,448.6</u>	<u>1,840.2</u>
From India	1,227.1	1,343.5	1,556.3	993.6	1,096.2
From Third Countries	754.6	664.5	914.3	455.0	744.2
<u>Trade Balance</u>	<u>-795.9</u>	<u>-843.2</u>	<u>-1,424.5</u>	<u>-818.7</u>	<u>-1,222.9</u>
With India	-334.4	-563.9	-1,058.3	-690.5	-824.5
With Third Countries	-462.5	-279.3	-366.2	-128.2	-398.4

Source: Nepal, Development Performance and Prospects, World Bank, 1979.

There is, however, evidence of some positive sign in the country's effort to diversify its trade. About 38 items are currently being exported to overseas countries. Nepal now trades with over 60 countries. Among the largest trading partners are Bangladesh, Belgium, France, West Germany, Hong Kong, Singapore, United States of America, United Kingdom and Malaysia. Belgium provides the main market for Nepalese handicrafts, wool carpets and ready-made cloths. In 1978/79 Nepal exported goods worth NRs 15.6 mn to France and imported NRs 6.3 mn worth of goods from the latter. Exports to Bangladesh in 1978/79 totalled NRs 122.4 mn, while imports were worth NRs 2.3 mn. Nepal's imports from China reached NRs 214.5 mn in 1978/79 and comprised nearly 15 per cent of total imports. The main items were petroleum products, textiles, cement, machinery, stationery, shoes and chemicals.

IV. FOREIGN AID

Foreign aid has played a large part in financing development and was envisaged to finance 45 per cent of the total outlay of the fifth Five-Year Plan. Around half the aid comes from multilateral donors, while United Kingdom, India and West Germany are the leading individual external sources of finance (Table 10). The Asian Development Association and the Asian Development Bank were jointly responsible for an estimated 75 per cent of total multilateral assistance in 1979/80.

Under the sixth Five-Year Plan over 50 per cent of a total expenditure is envisaged to be provided by foreign aid, an increasing amount of which is expected to be in the form of grants. Agriculture, transport and health projects are the main sectors to receive foreign aid. Foreign aid is welcomed by the Government to develop new industries. Chinese aid financed the construction of a cotton factory which started production in 1978 with an annual capacity of 11 million metres of cloth and 200 tonnes of yarns. Chinese help is also contributing to the planning of a small paper mill and a new sugar mill. Increased cement production, using some local materials was planned with Indian assistance. The factory with an annual capacity of over one million tonnes was expected to be in operation by late 1980.

Table 10. Foreign aid
(NRs million)

	1977/78	1978/79	1979/80 ^{b/}
<u>Bilateral</u>	<u>456.7</u>	<u>538.8</u>	<u>934.8</u>
of which:			
United Kingdom	73.9	114.4	197.0
India	117.8	121.4	143.2
West Germany	19.9	27.6	105.1
China	76.2	40.6	84.4
Kuwait	56.1	35.6	80.0
Japan	1.2	74.4	76.7
United States of America	66.6	54.7	70.2
Canada	6.7	9.5	60.9
<u>Multilateral</u>	<u>391.0</u>	<u>450.6</u>	<u>941.4</u>
of which:			
Int. Dev. Assn.	165.6	203.2	448.1
Asian Development Bank	80.1	88.9	253.3
UN Development Programme	36.8	55.9	51.9
World Food Programme	37.0	38.8	35.6
UN Children's Fund	17.0	24.5	31.1
Opec Fund	52.0	16.6	21.3
UN Capital Development Fund	-	8.4	6.5
World Health Organization	0.5	2.1	0.6
Other	2.0	12.2	93.0
Total aid	847.7	989.4	1,876.2

Source: Quartely Economic Review of India, Nepal 1980. The Economist Intelligence Unit Lit.

^{a/} Includes grants and loans but not technical aid.

^{b/} Estimate.

Table A1. Area and Population

Area	Population (census results)					
	22 June 1961			22 July 1971		
	Males	Females	Total	Males	Females	Total
141,577 sq. km ^{a/}	4,636,033	4,776,963	9,412,996	5,817,203	5,738,780	11,555,983

Source: The Far East and Australasia, 1980-81

a/ 55.304 square miles

Estimated Population (at June 22): 13,421,000 in 1978; 13,712,000 in 1979; 14,010,000 in 1980.

Table A2. Labour force

Percentage of population of working age (15-64 years)		Percentage of labour force in:						Average annual growth of labour force (per cent)		
		Agriculture		Industry		Services				
1960	1978	1960	1978	1960	1978	1960	1978	1960-70	1970-80	1900-2000
57	55	95	93	2	2	3	5	1.5	2.0	2.1

Source: World Development Report, 1980. The World Bank, Washington, D.C., August 1980.

Table A3. Population and production, Nepal, South Asia, East Asia and the Pacific
(average annual real growth rates)

	Population		GDP		GDP per capita		Gross production			
							Agriculture		Manufacturing	
	1965-70	1970-77	1965-70	1970-77	1965-70	1970-77	1965-70	1970-77	1965-70	1970-77
Nepal	2.2	2.2	2.2	2.6	0.0	0.4	1.7	1.2	...	...
South Asia ^{a/}	2.4	2.2	4.9	3.2	2.4	1.0	4.7	2.1	3.5	4.3
East Asia and the Pacific ^{b/}	2.5	2.2	8.0	8.0	5.4	5.7	3.4	4.1	11.9	11.6

Source: World Tables. The Second Edition (1980) from the data files of the World Bank.

a/ Afghanistan, Bangladesh, Bhutan, Burma, India, Nepal, Pakistan, Sri Lanka

b/ Fiji, Hong Kong, Indonesia, Korea Republic of, Malaysia, Papua New Guinea, Philippines, Singapore, Solomon Islands, Taiwan, Thailand.

